

INDONESIA

Vol. I, No. 01, 2nd Quarter 1995

PROPERTY

WATERFRONT CITY

**The Massive Plan to Change
The Face of Jakarta**

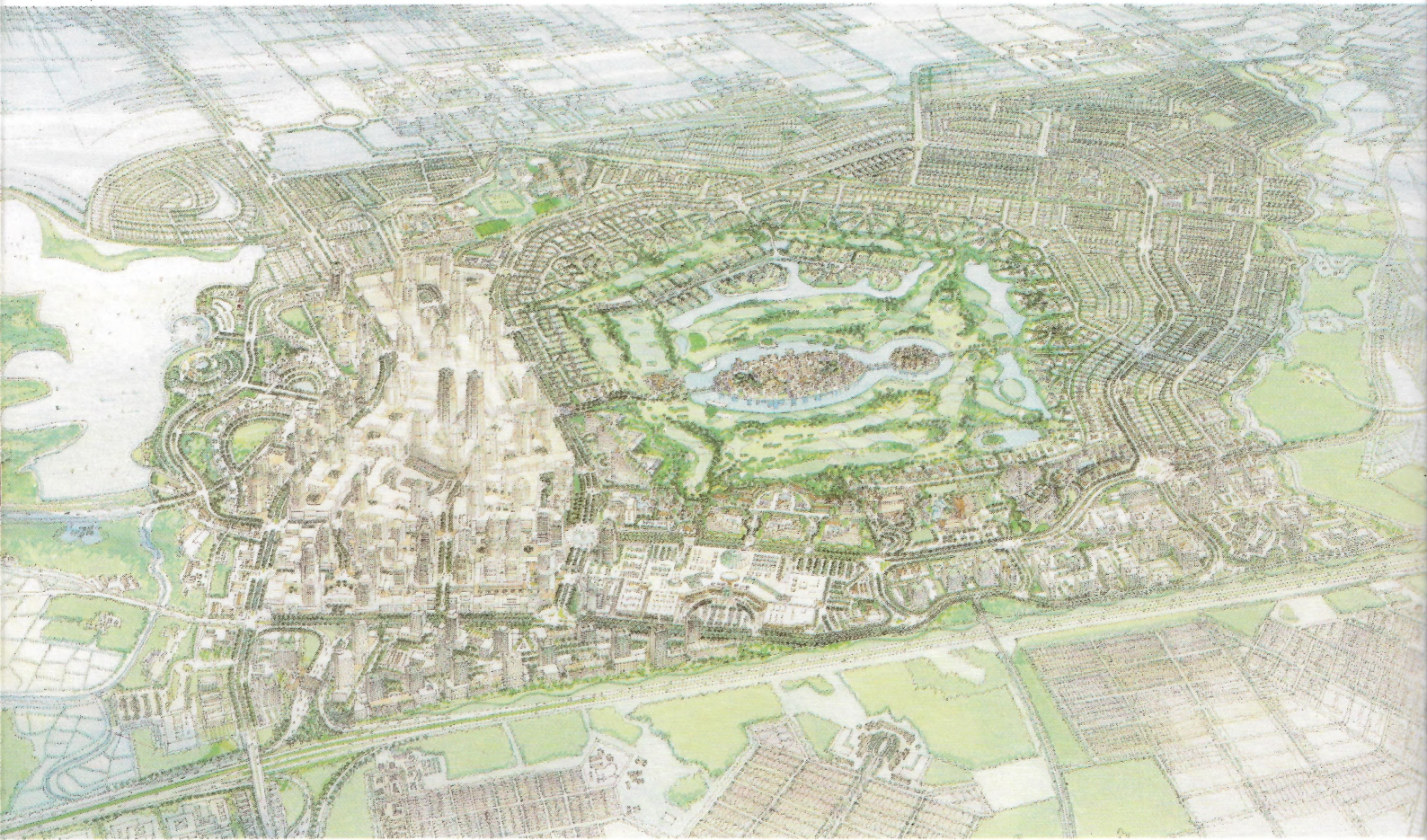
'...with land becoming more rare and expensive, the reclamation plan seems sound. However, low-income housing should be a part of any well-conceived Master Plan'.



Indonesia Rp 6,500 Singapore S\$ 5.5 Malaysia R 11.5 Hongkong Hk \$ 45 Japan Y 550
Thailand B 100 Australia A\$ 12.00 USA, Canada and Uni Europe US\$ 10.00

Minister of Public Housing,
Ir Akbar Tandjung

SOME PROPERTY COMPANIES BUILD BUILDINGS



WE BUILD CITIES!

Cities, new towns, themed family destination resorts. That's the future for Indonesia and LIPPOLAND is playing a leading role.

Look at the facts.

Indonesia is the world's fourth largest country with 180 million people and a growing urban middle class with more disposable income. Income to spend on primary and resort homes and leisure.

The manufacturing sector alone is growing at 13% annually - twice the national GDP - and an important source of jobs for the 2.3 million people joining the labor market every year.

In LIPPO CITY we have developed 2000 hectares of marginal land into a premier new town. It's so large you can drive for 8 kms and still be inside the town boundary. A Central Business District, homes, retail shops, hotel, condominiums, office buildings and factories are completed and occupied.

In LIPPO VILLAGE, pictured above, we are building a visionary 1,000 hectare fully integrated new town with a modern Central Business District, supermall, schools, hotel, country club, golf course, hospital, shopping and recreation facilities as well as homes and condominiums which will become home for 40,000 people.

CARITA BAY RESORT and PUNCAK RESORT are LIPPOLAND's new exciting themed family destination resorts which offer family villas, condominiums, vacation ownership and numerous amenities. Both exclusive resorts are under construction and their market success has established LIPPOLAND as the market leader in tourism and resort development.

That is why at LIPPOLAND, building Indonesia's cities and resorts of the future is the real story.



LIPPOLAND

THE LEADING EDGE IN REAL ESTATE

For more information please contact

PT LIPPO LAND DEVELOPMENT Jakarta INDONESIA

Tel: 62.21.546-0177, 546-0166 Fax: 62.21.546-0160, 546-0290

Board of Advisors:

Ir. Akbar Tandjung (Chairman)
Widigdo Sukarman, Srijono, Asmuadji,
Enggartiaso Lukita

Editor in Chief
Antony Z. Abidin

Deputy Editor in Chief
Musfihin Dahlan

Business Director
Said Mustafa

Special Consultant
B. L. Bailey

Senior Editor
E. Bineratno

Associate Editor

Ikrar Nusa Bakti Ph.D

Deddy Nur Hidayat Ph.D

Dr. Watmo Rohsis, Ir. Swatundro

Contributors

Bambang Budiono, Herman Syahara,

Pria Takari Utama, Joko Yuwono,

Hadi Prasetyo, Indra Utama,

Basrul Nafis

Photographer

Tatan Rustandi

Art Designer

Hafiz

Production

Musrad Habib (Chief), Arwan

Advertising Department

Andries M. Halim, Hendrarto

Circulation Department

Taswin Tandjung

Financial Department

Amir Mamdu

Published by

PROPERTI
INDONESIA
group

PT. Infomediata Selaras

Head Office and Editorial Department:

Bungur Grand Center Blok A2,

4-6 Jalan Ciputat Raya, Kebayoran

Lama, Jakarta 12340.

Telephone : 62-021-725-5315 (Hunting), 725-347970, 725-7071.

Faximile : 62-021-7247203

Business Department:

Jakarta Design Center 5 Floor SR 08/

21, 53 Jalan Jend. Gatot Subroto, Slipi,

Jakarta 10260, Indonesia.

Telephone : 62-021-530-4580.

Faximile : 62-021-530-4579

Letter from the Editor

Serving an International Audience

The Indonesian real estate business is one of the most dynamic on Earth. We, the publishers of the successful property magazine *Properti Indonesia*, know this. With our success in the marketing and sale of *Properti Indonesia*, came the realization that there was a potential need for an English language magazine covering the property sector in Indonesia.

In our business dealings, and from letters we received, we became aware that many primarily English reading people had an intense curiosity about Indonesia. The increasingly friendly business atmosphere for foreign entities in Indonesia has stimulated this curiosity. As publishers of *Properti Indonesia*, we responded to that need with an English section which currently runs in each issue of *Properti Indonesia*.

However, it seemed we had not quite fulfilled the need of these English readers. We received comments asking for more pages for our English section. Foreign businessmen, particularly in Singapore and Holland, wrote and faxed us with requests for more stories in English. Responding again to our readers, we decided to create a special edition of an all English language magazine to be called *Indonesian Property Report*. This special issue ran last June, 1994.

The response was good. Even though this first issue was brief, it provoked quite a response. Members of FIABCI, the International Real Estate Federation, asked for more information, as foreign property players around the world are aware of the vitality of the Indonesian property business. The large (est. 30,000) population of expatriates in Jakarta and throughout Indonesia showed great interest, and wrote many letters thanking us, and asking for the regular publication of IPR.

Aware that we had identified a market of foreign businessmen interested in Indonesian property sector, and the large, business oriented expatriate community here as well, we decided to make *Indonesia Property Report* available to readers worldwide.

Indonesia Property Report is designed to serve an international audience of foreign and expat businessmen interested in all aspects of the real estate business in Indonesia. The ever-more-friendly climate for foreign entities here has only increased our magazine's potential.

In this issue you will find extensive profiles of several of the giant property stock companies in Indonesia. You will find articles about the future of Jakarta, law, tax information, and detailed articles about Indonesia's infrastructure. Our cover story is a special in-depth look at the truly spectacular reclamation project at the beach of Jakarta, that will forever change the look and economy of the city.

We hope that with each issue of IPR, we will further improve in our quest to bring to you, whether foreign businessman or expatriate, information, analysis, and opinion concerning the property business in Indonesia.

Very Truly Yours,

Antony Z. Abidin
Drs. Antony Zeidra Abidin

PROPERTY



COVER STORY

Jakarta Waterfront City: An Unavoidable Opportunity 8

It is a massive plan to literally change the face of Jakarta. The gigantic reclamation project planned for the north beach area of Jakarta will forever alter, not only the geography of the city, but the economic, demographic, environmental, and social make-up of the region. It will affect the economy of the entire nation.

The Future of Jakarta Strategic Land Use Plan 12

Jakarta is the financial, business, and Governmental Capital of Indonesia. It is also one of the largest, fastest growing, and dynamic cities on Earth.

Billion Dollar Opportunity 22

Reclamation Project: The Environmental Impact 26

Environmental Minister Stresses Environmental Impact Report 30

PROPERTY STOCK

BUSINESS STRONG IN THE MIDST OF PRICE DECREASES 35

1995 seems not to be a good year for property stocks at the Jakarta Stock Exchange (JSX). After accumulating profit in early and mid 1994, property stock prices began a long downward trend, and continue to be relatively weak now. Some analysts predict that there will not be meaningful improvement in prices over 1995.

NEWS AND TRENDS

Be Prepared in Rental Disputes

Property Crash Looming Ahead ?

Home Price Hikes 6

Jaya Real Property	39
Ciputra Development	55
Lippoland	71
ModernLand	87
Duta Pertiwi	94

HOUSING

Sky Rocketing House Prices	96
----------------------------------	----

Interview with the Minister of Public Housing	100
--	-----



TAX

Throwing Out Speculators To Net End-Users	112
--	-----

LAW

Foreigners' Land Use Rights ...	114
---------------------------------	-----



INFRASTRUCTURE

Mass Rapid Transit	102
Toll Roads	106
Thermal Station Bids	109



FEATURE

New Regulation a Blockbuilder ..	116
Surabaya	
The new growth center	118
Real Estate Brokers	
Training and licensing ahead	120

Be Prepared in Rental Disputes

Recently, the frequency of disputes between owners and users of office buildings and living settlements has sharply risen. Usually these disagreements result in problems for the user. As Mr. Sucipto, a well known public attorney specializing of making rental



agreements between companies, told Properti Indonesia, such kinds of disputes are usually caused by incomplete or unclear written statements put into contracts. 'In general, there are three critical factors in writing a rental contract: (1) establishing the real owner of the rental space, (2) establishing the legal usance permit for the space, and (3) writing a detailed and comprehensive contract chapter by chapter, using easy to understand terms', said Mr. Sucipto. Users should be careful to insist that the name of owner is put into the contract. This will save the users from a lot of headaches in the future, should things go sour.

Legal usance permits are crucial. Users must not be lured by promises that someday the legal permit of the site can be changed according to users' needs. For example, the Minuting area of Central Jakarta can only be used for living settlements, not for business activities.

Most rental contracts were proposed and made by owners. Usually they come in the form of a thick document given to the would-be user. Many users feel reluctant to read all those

pages filled with dizzying technical terms. This type of user falls easy prey to bad owners. Users should take their time, carefully study the contract proposal and discuss it with an expert. Things that should be clarified are: prices, legal rights, period of contract, ability to sub-lease to a third party, and duties and liabilities of the owners (including taxes) ■

Property Crash Looming Ahead?

The prospects in the marketing of apartments is gloomy, according to some sources. Ghost-bookings, speculation, bad debt, profiteering, and over-supply are the disheartening words whispered by some. Laksamana Sukardi, former director of Lippo Bank, has become a respected private economic analyst, and has warned that miss-matched credit approval has been widely practiced by certain banks. Short term fund sources, primarily generated from public deposits, have been carelessly pumped to the long term credit of the property sector.

Christianto Wibisono, the director of PDBI, predicted that in 1998 there will be as many as 35,000 units of apartments in Indonesia. These apartments, developed by the 10 big groups, are far above the market absorption capacity of the nation, as they are mostly luxury and high-income apartments. Meanwhile, the demand for low-income apartments remains relatively ignored by developers.

To some analysts, the uncertainty of the demand in the apartment market is due to the practices of speculators and profit-takers. There are even rumors amongst the public that the price tags for apartments are artificial, not dependent on market demand, but tailored to the needs of profiteers.

Property consultant PT Procon Indah/JLW, a firm with a good repu-

tation, recently published their prediction that as of 1997 there will be a total of 25,000 apartment units completed, of which only 16,000 units will have been booked since 1994. Procon believes that a gloomy situation will blanket the apartment business sector in 1995. As Craig Williams, director of PT Procon Indah/JLW Asia, revealed, the over-supply situation has affected the occupancy ratio of apartments located at non-prime locations; making it as low as 78% in 1994. He believes that this ratio will stay at the same level all through 1995. On the other hand, the occupancy ratio of apartments at prime locations will stay at over 90%. He was deeply concerned about the high prices for luxurious condominiums, given the scarcity of end-users.

More detailed information was given by Kosmian Pujiadi of PT Pujiadi Prestige, a company that boasts itself the pioneer in the development of vertical living settle-



ments. Kosmian, who is also an official at the Indonesian Real Estate Association, said that the annual demand for living places in the municipality of Jakarta is around 54,000 units. Based on a conservative calculation of only a 30% demand to live in vertical settlements, the annual need for apartments will be around 16,200 units. He told Properti Indonesia that there are 47 sites of middle income apartments which have been operating since 1994. On the other hand, there is a

target development of 73 sites (29,940 units) of such apartments in the 1994-1997 period. At the end of 1997, there will be an over-supply of almost 34,000 units of middle income apartments. Kosmian hopes that in the future the 30% proportion of people who do not mind living in vertical settlements will slowly grow. In the long run demand will surpass the supply. Based on this hope he predicted that the future of the property business in the apartment sector is still promising.

Some sources are also still optimistic about the future of the property business situation in 1995. Minister of Public Housing, Mr. Akbar Tandjung, believes that the situation of today's over-supply can be overcome in 1995 due to the fluctuating market demand. 'People always need shelter', he said. 'Today's situation is a good time to see how good an endurance a developer has. This will separate the one who can survive and the one who cannot,' he said, quoted by *Warta Ekonomi* magazine.

To Engartiasto, chairman of Indonesian Property Association, there will be no property crash in the near future. 'The only thing that may happen in the future is the miss-matching of credit repayments', he said.

Crash or no crash, as Kosmian Pujiadi commented, it is up to the developers to serve the market. 'After happy times during which they could sell without displaying real apartments to the buyers, now it is the developers turn to build, and serve the public,' said Kosmian ■

Home Price Hikes: By Leaps and Bounds

Over the last three years, business in the housing sector has been very good, with a high demand for new homes in desirable areas. Two major factors which helped propel this trend are the relatively low interest rates given by banks for savings deposits recently, and the marketing strategy of pre-project selling.

Pre-selling; a concept to sell property products even before construction on them begins, has been proven an effective way to catch some investors. Buyers have two choices here: either pay the down payment in advance before a single brick of the house is laid out, or pay expensive prices for completed homes. Usually the successful investor is the patient one; they wait until the house takes shape before they paid, but these houses usually turn out to be a good investment.

According to *Properti Indonesia*, sister publication of *Indonesia Property* report, the price hikes for houses around the Jabotabek area during 1993 and 1994 were quite high, with great differences in price depending on the type and area of development. For Jakarta Municipality, where mainly big homes were offered by developers, during 1993 an average hike of 20.3% in home prices was recorded. In 1994, prices increased by another 23.5%. For example, a house type called *Anggun Utama* (560 sqm land 550 sqm building area), built at the *Bumi Karang Indah* settlement in South Jakarta was first offered at a price of Rp 796.5 million (about US\$ 362,000) in November 1992. By September 1994, the same house cost Rp 1.2 billion (US\$ 545,000), a 50% hike.

Outside Jakarta, in the Bogor Tangerang and Bekasi areas, most developers offer medium to small houses. These are houses with prices still within the buying power of many people. These houses quickly sell out. In 1992, the price of a very simple (type 21 - very low income) house was put at Rp 6-7 million. Since then the price has sky-rocketed to Rp. 13-15 million, a 100% leap!

The area surrounding Tangerang city is an unique area of housing development where one can find small to middle class type settlements next to

giant satellite city developments. The residential estates of *Bumi Serpong Damai*, *Modernland*, and *Lippo Village* are here. The famous names and facilities offered by the Mega-projects work as a magnet to attract middle income people to buy small to middle class homes offered by nearby developers. The biggest hike recorded for middle income houses (such as type 120s) in that area went from about Rp. 114 million (US\$ 51,800) in 1993, to about Rp 185.5 million (US\$ 84,310) in 1994, an increase of 66% in just two years.

Small to middle class housing in the Bekasi area showed similar price hikes. here, where three Mega-projects are developing, (*Cikarang Baru*, *Lippo City*, and *Legend City*), the highest hikes were seen for very simple and type 36 homes. For the very simple homes, prices shot up 105% from Rp 7.4 million (US\$ 3,400) in 1992 to Rp 32.8 million (US\$ 14,900) in 1994. according to some sources, these fantastic price hikes are due to the sky-rocketing price of land in the Bekasi area.

Around Bogor, the development of housing settlements is not as extensive as in other areas. The area surrounding Bogor, host of the last APEC conference, has been legally designated a water catchment area, which specifies that only limited areas can be used for the development of housing settlements there. Any house developed within the permissible areas should be built according to the land/building ratio specified by the government. This means that a very large area of land is needed for each house developed. Some developers have built such villa type homes, but their prices have been relatively stable. There has been a price hike of only 18% in 1994 for these villas.

In 1995, times have changed, and an anti-climax phenomenon in the property business is beginning to take shape. The steep, rising curve of house prices has very recently begun to flatten. This has been caused by the large number of living settlements available, especially to mid to upper class housing, and the weakened buying power of prospective buyers - coming primarily for the hike in bank interest rates. Herman Latief of PT Lippo City said that, to keep the price tag attractive to buyers, developers have to squeeze their margin of profit to the limit now. Some developers believe that this stagnation will not last long, and soon the buying powers will be back again ■



Jakarta Waterfront City:

An Unavoidable

It is a massive plan to literally change the face of Jakarta. The gigantic reclamation project planned for the north beach area of Jakarta will forever alter, not only the geography of the city, but the economic, demographic, environmental, and social make-up of the region. It will affect the economy of the entire nation.

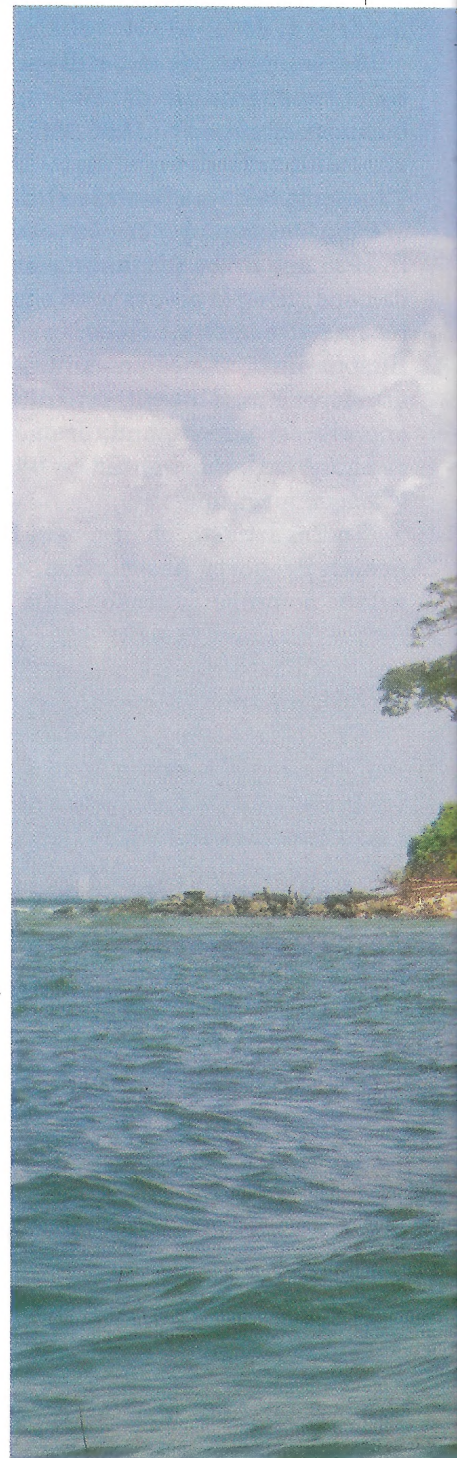
Indonesia's economic development over the past 25 years has been marked by a sound political stability and economic growth of between 6 percent and 8 percent annually. With a population of 189 million people, the country saw its gross domestic product (GDP) move up to US\$ 153 billion in 1994. Per capita GDP was estimated to reach \$919, compared with about \$600 in 1990, when the economic growth was 7.34 percent.

Over the past 10 years, Indonesia's economic performance has changed significantly. Since the issuing of an economic package in October 1983 — popularly known as Pakto 1983, and followed by a series of deregulatory packages — Indonesia has begun the process of changing the emphasis of its economy from one depending on the

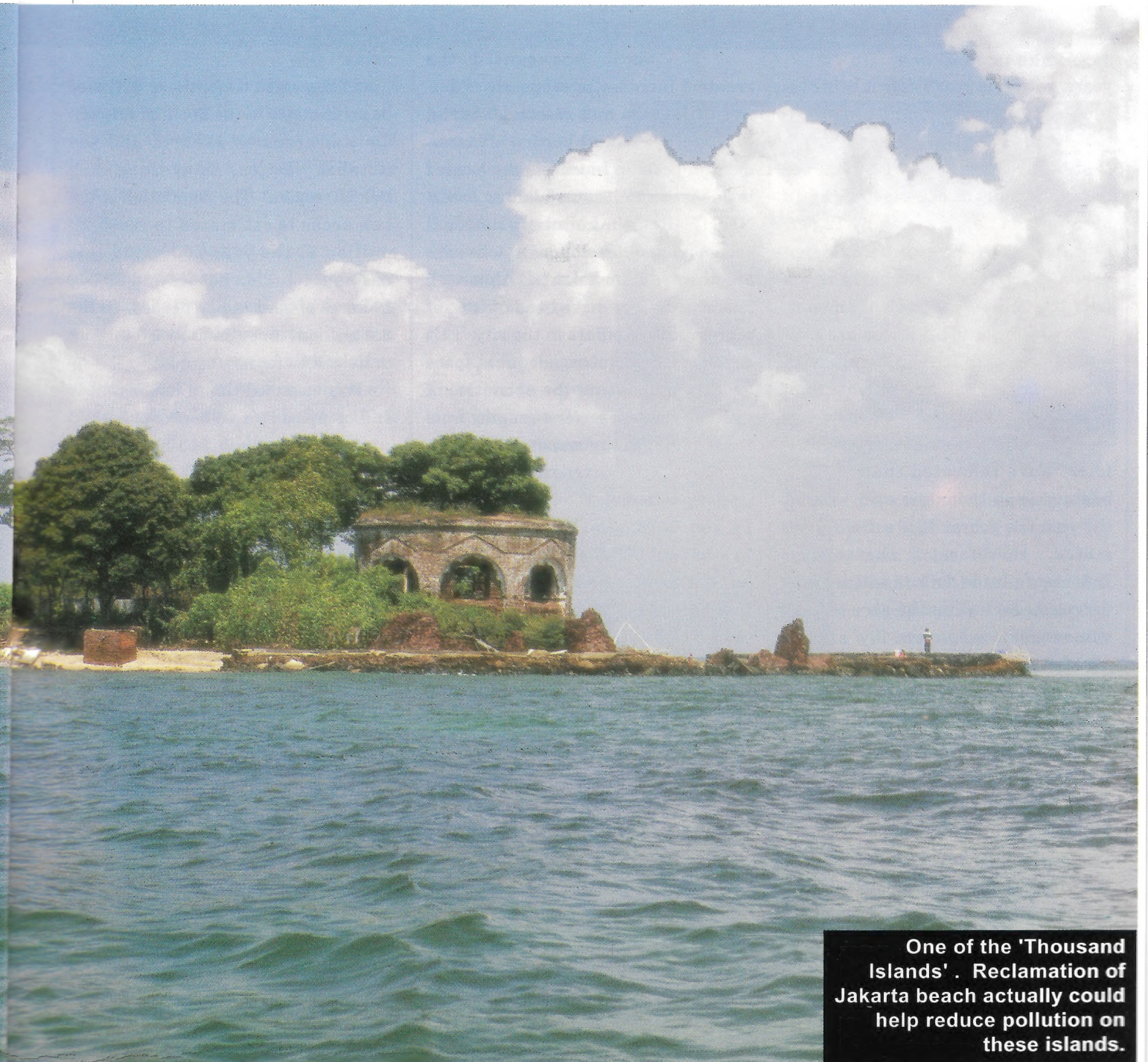
agriculture and oil into one with strong industry and service sectors. In 1983, 45 percent of the country's national revenue came from the oil/gas sector, meanwhile non-oil/gas constituted 64.5 percent of its total export revenue in the same year.

With the fairly recent PP20/1993 deregulatory package, the Indonesian government opened up investment opportunities. Foreign investors were allowed to own 100 percent equity in companies, and the minimum amount required for establishing a company in Indonesia was cut to \$500,000. This policy caused foreign investment to reach \$23 billion in 1994, compared with \$8.1 billion in 1993. Meanwhile, domestic investments increased to Rp 53.3 trillion (US\$ 24.2 billion) from Rp 39.5 trillion in 1993. In the January-March period of this year, approved foreign investments totaled US\$ 4.6 billion, compared with Rp 3.7 trillion of approved domestic investments.

Indonesia has faced trade deficits over the



de Opportunity



One of the 'Thousand Islands'. Reclamation of Jakarta beach actually could help reduce pollution on these islands.

Country Confidence Index

Country	1989	1990	1991	1992	1993	1994	1995
1. Philippines	90	81	60	70	65	74	81
2. Thailand	85	90	72	74	70	77	76
3. Indonesia	79	86	86	81	82	87	87
4. Malaysia	90	83	81	75	77	80	-
5. Korea	71	63	69	62	67	74	-
6. China	-	-	-	-	73	66	-
7. Singapore	78	70	69	66	74	79	-
8. Vietnam	-	-	-	-	84	80	-
9. Hongkong	73	60	57	66	62	66	-
10. Taiwan	71	56	66	67	72	71	-

Source: Asian Business, March 1995.

years, with this year's deficit being estimated to be US\$ 3.2 billion. This estimation is based on the assumption that oil prices stand at US\$ 3.2 per barrel, non-oil/gas exports grow by 19 percent, and imports grow by 12 percent. However, the country's foreign exchange reserves currently reach US\$ 16.5 billion, a sufficient amount. Meanwhile, world oil prices are estimated to continue increasing, with current prices standing at more than US\$ 18 per barrel. Large export-oriented investors from developed countries have relocated their businesses to Indonesia over the past few years. It is estimated, therefore, that Indonesia's trade deficits will decrease, excluding the service and financial sectors.

Along with Malaysia, China and Vietnam, Indonesia has now become an Asia-Pacific country very attractive to investors. The World Bank and the International Monetary Fund have taken Indonesia as a model for developing countries because of nation's success in developing itself from a poor country into one with substantial middle-income earners. Asia Business magazine, in its survey made public early this year,

gave Indonesia an 87 mark on its Confidence Index for two consecutive years. This figure shows that investors' trust in Indonesia is steady, although International Country Risk Guide, in its January publication, put Indonesia into 55th position among its listed countries.

The national economic development described above has caused the

greatest increase in economic activities in Jakarta and greater Jakarta, because the greatest portion of investment projects in Indonesia are located in Jakarta and its surrounding areas. Nearly all of the country's national economic and development activities are directed from Jakarta. Almost all business sectors have head offices or representative offices in the city. This development requires adequate space for accommodating the activities of various business sectors: ranging from office buildings to commercial centers,

hotels and residential complexes. Jakarta also serves as a center for goods and services for nearby cities like Bogor, Tangerang, Bekasi and Karawang.

In 1990, there were 122,000 people employed at the Jakarta Central Business District, and another 462,000 in secondary districts. The number of workers at the Jakarta CBD is estimated to increase to 391,000 by the year 2010, compared with 725,000 workers in secondary areas.

At the same time, there will also be an increase in the demand for residential areas in Jakarta and the Botabek (Bogor, Tangerang and Bekasi) region. The population of the two areas is estimated to reach 19 million in the year 2000, and this means 3.4 million houses and 39,900 hectares of land will be needed. Of the 3.4 million, an estimated 1.6 million units will be for new couples.

It is assumed that a house unit is still occupied by 1.06 households.

An estimated 5,140 hectares of



Jakarta CBD. High land prices and crowding are making the reclamation plan more attractive to investors.

INVESTMENT GROWTH (1991 - FEBRUARY 1995)

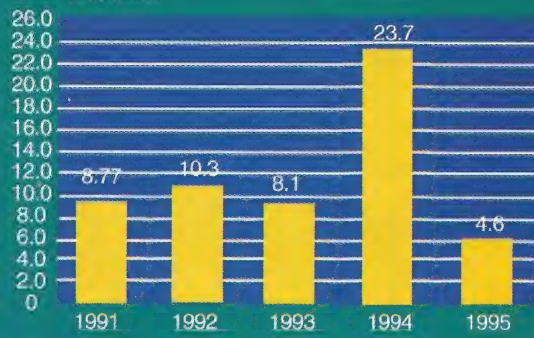
DOMESTIC



Source: BKPM

US\$ Billion

FOREIGN



land will be needed for the activities of various sectors in Jakarta only, including shopping centers, office and industrial spaces. Meanwhile, the Botabek region will require 13,040 hectares.

Currently, Jakarta does not have enough land that can be developed for accommodating large-scale development projects. Meanwhile, the pressure coming from economic activities in the capital is increasing, which will require more land. Aside from that, developing land in Jakarta's central areas will be very costly, resulting in a high cost economy. Land prices in CBD, for instance, are currently between \$2,000 and \$2,500 per sq meter.

It is difficult for the city to expand east and westward. This is not only because Jakarta's eastern and western

parts are crowded, but also because the areas have land for rice paddy fields which cannot be converted. It is forbidden to expand the capital to the south because that is the city's water catchment area. Therefore, to acquire land, the best alternative is reclaiming Jakarta's northern

coastal area. The reclamation project, which will cost only \$350 per sq meter, will create 2,800 hectares of new land area. The project will be completed within 20 years, and will provide various city facilities at more

acceptable prices.

The reclamation project will significantly influence the city's property market. It will attract activities at the CDB and other centers to the northern part of the capital. This will eventually help ease the heavy burden born by the city's central and southern areas. In the coming five years, it is estimated that there will no longer be a drastic increases in land prices in Central and South

The demand for new houses in Jabotabek (1991-2000)

Year	Increase in couples (Households)	New houses needed (units)
1991	139,000	134,000
1992	144,000	139,000
1993	151,000	146,000
1994	159,000	153,000
1995	168,000	161,000
1996	164,000	158,000
1997	171,000	165,000
1998	180,000	173,000
1999	188,000	181,000
2000	197,000	189,000

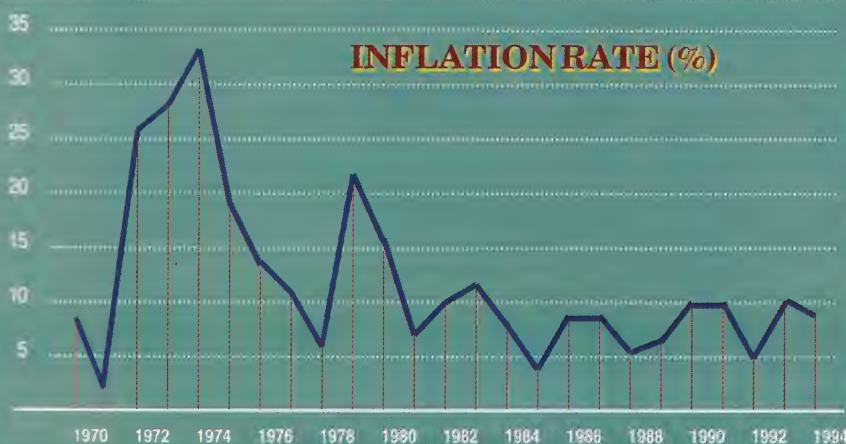
Total 1,841,000 1,599,000

** Based on various sources and JMPDR survey

Jakarta. This will no doubt help make the growth of the country's property business more stable.

As the capital of the country, which has been declared as a service city, Jakarta will continue to be the center for the country's biggest economic activities. Therefore, Jakarta's growth can not separated from the national economic development as a whole. The rapidly growing economic growth at the national level requires the availability of various facilities. This growth cannot depend on the City government alone, but will require more active participation of the private sector. This can also mean a very great new opportunity for investors and developers.

INFLATION RATE (%)



The Future of Jakarta: Strategic Land Use Plan

Jakarta is the financial, business, and Governmental Capital of Indonesia. It is also one of the largest, fastest growing, and dynamic cities on Earth.

The Government of Indonesia has elected to develop strategic plans for Jakarta and its adjoining areas. The Ministry of Public Works has released a report called the Jabotabek Metropolitan Development Plan Review, released in September 1993, and produced by Culpin Planning Ltd. - Huszar Brammah and Associates LTD. - PT. Lenggogen - Lembaga Penelitian Perencanaan Wilayah dan Kota (LPP-ITB). IPR has received a copy of The Strategic Land Use Plan, and will summarize it as follows.

JAKARTA BAY

■ There are legitimate reasons for a North Jakarta reclamation project. From the social, economic and environmental perspectives, revitalizing this relatively depressed area (North Jakarta) is feasible. However, it should be noted that effects of this development on population growth and movement in the region would be limited.

The redevelopment of North Jakarta will help maintain the competitive position of DKI Jakarta. Also, this reclamation area is an essential target location for several sites of low income housing. A toll road through this re-

claimed land in north Jakarta could also be possible by 2010.

At the time of this study a exercise was conducted to measure population effects caused by a North Jakarta reclamation project. This exercise assumed the population of Botabek would be shifted by 500,000 people to this northern project.

This resulted in a reduction in the population in Bogor of around 160,000, in Bekasi of around 140,000 and in Tangerang of around 190,000. Growth rates in the region were substantially lower for the period 2005 to 2010.

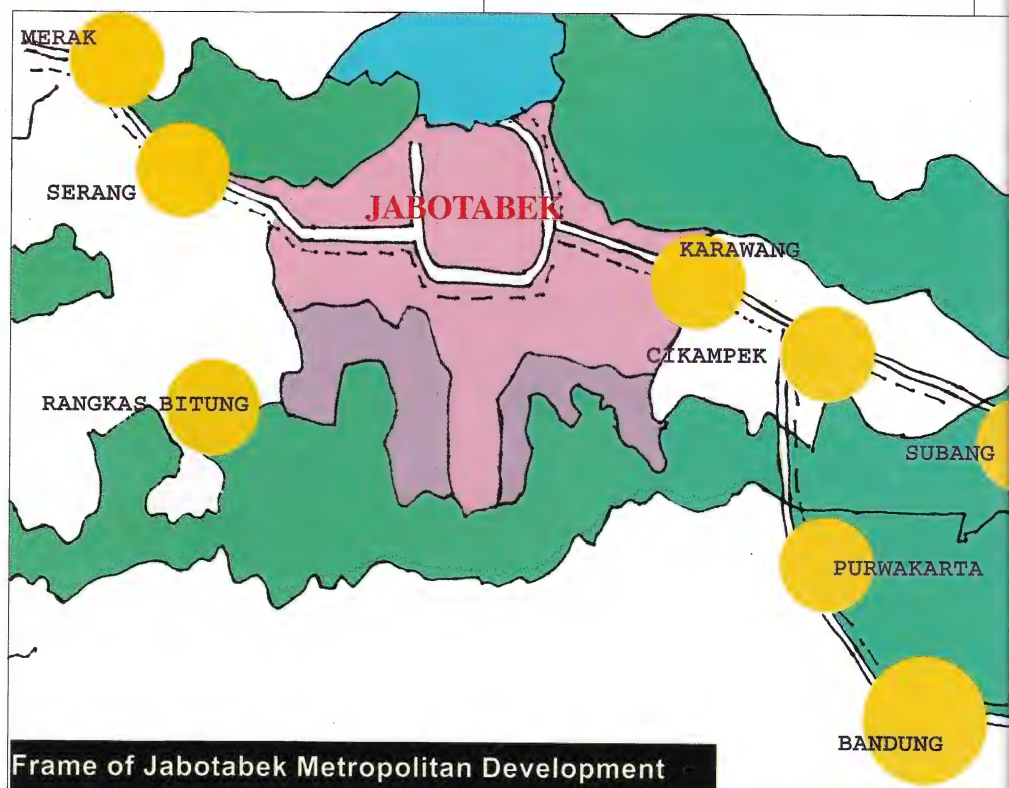
The effect on growth and population by such a project would be limited. 500,000 people represents only a year's growth in population for **BOTABEK**. It is only a slight delay in the growth of the region.

CENTRAL JAKARTA

■ Private owners and speculators have developed and redeveloped their holdings in central Jakarta, in spite of rising traffic congestion and rental prices. It is important to note that, in the case of the 'Golden Triangle' (Sudirman CBD), if fully developed, would cause unmanageable traffic volume, not correctable by any conceivable improvement in transport infrastructure.

JABOTABEK

■ DKI Jakarta has quickly outgrown its original boundaries. The adjoining areas of Bogor to the south, Bekasi to the east, and Tangerang to the west are quickly becoming one continuous urban area. This extended area is



GREATER JAKARTA OFFICE MARKET DATA SUMMARY

YEARS	ANNUAL SUPPLY	CUMULATIVE SUPPLY	VACANT SPACE	CUMULATIVE DEMAND	TAKE-UP	VACANCY FACTOR
1982	N/A	333,805	15,799	318,006		4.73%
1983	77,561	411,366	47,199	364,167	46,161	11.47%
1984	173,354	584,720	97,217	487,503	123,336	16.63%
1985	245,200	829,920	146,955	682,965	195,462	17.71%
1986	144,136	974,056	163,873	810,183	127,218	16.82%
1987	64,490	1,038,546	101,460	937,086	126,903	9.77%
1988	9,550	1,048,096	37,009	1,011,087	74,001	3.53%
1989	44,860	1,092,956	11,434	1,081,522	70,435	1.05%
1990	147,667	1,240,623	19,475	1,221,148	139,626	1.57%
1991	352,816	1,593,439	165,334	1,428,105	206,957	10.38%
1992	30,060	1,894,039	217,278	1,676,761	248,658	11.47%
1993	253,100	2,147,139	261,265	1,885,874	209,113	12.17%
1994	117,773	2,264,912	160,123	2,104,789	218,915	7.07%
1995 ESTIMATE	259,162	2,724,074	359,285	2,364,789	260,000	13.19%
1996 ESTIMATE	412,239	3,136,313	521,524	2,614,789	250,000	17.42%
1997 ESTIMATE	332,804	3,469,117	604,328	2,864,789	250,000	17.42%
1998 ESTIMATE	308,061	3,777,178	682,389	3,094,789	230,000	18.07%

Source : Colliers Jardine Research

called **JABOTABEK**. The same area, excluding DKI Jakarta, is called **BOTABEK**.

JABOTABEK will remain the primary migration destination in Indonesia because of its economic dominance, despite Government efforts toward transmigration, and a planned 'Eastern Island' economic emphasis. The development of other urban centers as comparable sources of jobs will be a very long-term process. Economic necessity will ensure the continued growth of the region.

The private sector has dictated the growth of JABOTABEK. They have made developments based on road location, land prices, and physical limitations of the land. Travel times, and infrastructure cost were secondary considerations for the growth of JABOTABEK until now.

Now, the populations of DKI Jakarta and BOTABEK are about equal. Over the period to 2010 the population of JABOTABEK could approach double that of Jakarta, which will increase the demand for urban services in both areas.

JABOTABEK will need outside or public money to pay for infrastructure needs, in spite of Government desires to reduce the 'Jakarta-centric' and 'Java-centric' economic situation in Indonesia. The Government's attempt to redistribute growth to outlying re-

gions will not severely impact growth projections for the area.

JABOTABEK has grown by a process called 'Izin Lokasi', of advancing just beyond prime development sites in a 'leap frogging' land acquisition pattern. The developed areas beyond Jakarta is discontinuous, and the ratio of built-up area to open space decreases with distance from the center.

Development land (for middle and upper level groups) is acquired to maximize resale value. The increase in land value is the main source of profit for investors. Housing and infrastructure are merely devices to

POPULATION TRENDS

Population	DKI Jakarta	Botabek	Jabotabek
1990	8,200,000	8,900,000	17,100,000
2010	12,000,000	18,000,000	30,000,000

Sources: BPR Population Census, 1990, JMDPR Study

maximize that increase. Land speculation on the undeveloped land, particularly in the undeveloped urban fringe, has become a long term venture. The completion of the current ring road project encircling Jakarta, and the later construction of a second ring toll road, would probably encourage development. It is important that the necessary urban management policies be in place to structure this process, to allow the interweaving of town and country and prevent urban

sprawl.

Analysis indicates little emerging structure in the urban sprawl although 'seed' localities can be identified in relation to private development and overall growth. Private sector development could easily overwhelm the fragile structure that exists.

PANTURA

The region extending to the east and west of Jakarta, along the north coast of West Java, where future growth is anticipated, is called **PANTURA**. **PANTURA** is the source of 15% of the agricultural production and 22% of the GDP of Indonesia. **JABOTABEK**, within **PANTURA**, is the dominant region for the creation of wealth in Indonesia. The region is changing from an agrarian area separate from the urban area of Jakarta, to an integrated region where agricultural productivity continues in the face of increasing urban development.

Jakarta will remain the seat of government, the principal service center and the primary international gateway for Indonesia. Overall Jabotabek is 'where the action is' and **PANTURA** is the area Jabotabek will grow into.

It is necessary that Jakarta's growth move along the east-west lines of **PANTURA** in order to maintain the critically important water-catchment areas south of Jakarta. These ecologically sensitive water-generating areas south of Jakarta are vital for **JABOTABEK**'s survival, and are a major factor in designing **JABOTABEK**'s future.

POPULATION TRENDS

During the '80s there was a steep decline in the rate of population growth in DKI Jakarta, coinciding with an increased growth rate in **BOTABEK**, largely along the east-west axis in Bekasi and Tangerang.

Land use in central Jakarta



Industrial Estate. Prices of land varies from US\$ 30 to US\$ 100

CBD and Senayan Square are now being developed is the growing CBD of Jakarta at this time. The bulk of CBD office demand up to the year 2000 and beyond will go here. A prestige location and main road access are the two main factors influencing new office block construction.

The office space required for Jakarta for the next 20 years is estimated to be about 6.6 million sqm., including 4

million sqm. CBD type office facilities. The CBD office space requirement is estimated to average 200,000 sqm. per year, which is comparable with the take up rates in recent times and with industry forecasts to 1996.

Office-based employment in BOTATABEK will continue to grow, principally in the secondary office market. Prestigious CBD office development should meet market requirements for large regional offices in the medium term.

■ Retail

Shopping malls are an increasing trend. More disposable income and a desire for family, recreational shopping have encouraged shopping center development. However, a lack of prestige 'anchor tenants' has slowed some mall developments. In the immediate future, retail developers and tenants will be inhibited from developing too far from the primary income areas of Jakarta. Pioneering is not the trend, because of difficulty in finding anchor tenants and a lack of support from banks.

changed from residential to non-residential. Also, there has been a trend toward residential dispersal within the Metropolitan Area, spurred by development and by changes in transport infrastructure which have permitted increased distances between home and work site.

Jakarta is filling up and in. Only a few areas at the edges of the city now are not thoroughly urbanized. Other data shows an urban expansion trend, as opposed to densification. High growth areas are moving away from the core of Jakarta to the boundary with BOTABEK. Accessibility and lower land prices have helped cause growth around the fringes of Jakarta.

PRIVATE DEVELOPMENT

■ Commercial

Commercial developers still look to Jakarta. There is a surplus of floor space. In the foreseeable future Jakarta will be the only logical location for the major national, regional

and even global business interests that demand the high level of services and political access.

In the longer term, difficulties in sustaining the enormous levels of transport and other infrastructure investment required to maintain the dominance of Jakarta will cause business to shift smaller commercial users to sub-centers on the main transport grid outside the city. Some of the major private developments are may benefit from this trend.

Regulations somewhat inhibit the manufacturing growth, particularly from foreign sources, in Indonesia. However, recent deregulation packages (PP 20 for example) have positively influenced foreign investment.

■ Office

The commercial office sector has boomed over the last dozen or so years. Supply has increased greatly and continues to increase, while demand remains strong. Oversupply was a problem during the period 1990-92 but is expected to drop.

Jalan Sudirman where Sudirman



TRAFFIC ARTERY MAP OF JAKARTA

■ Industrial Estates

There are 18,000 hectares of land designated for industrial estates in JABOTABEK, but only about 1,045 ha. has been developed. Most of this (815 ha. or 78%) is in BOTABEK. In total Jabotabek and the surrounding areas in West Java have 40,000 ha. of industrial land, including industrial estates, free standing industrial complexes and general land zoned for industry. However, zoned industrial land may be irrelevant, as land can easily be rezoned to other uses.

Indonesian manufacturers, including Indonesian partners in joint ventures, often buy their own land and develop it instead of going to an established industrial estate. Entrepreneurs seem to favor the purchase of established buildings, rather than buying undeveloped land on industrial estates.

Prices for land in industrial estates varies from US\$ 30 to US\$ 100 per sqm as of 1993. Prices depend on location and facilities provided. Transport access can cause these rates to increase.

There is much international competition in this sector. Places like Kuala Lumpur and Bangkok have low

priced land for industrial estates. There is not a lot of enthusiasm in this market at this time. The financial return on developing residential products or as speculation can be more attractive to property investors.

■ Industrial Land Requirements

Existing permits for industrial land are far in excess of industrial land requirements. Uncoordinated growth could cause higher infrastructure costs, and contribute to urban sprawl. There is a need to restrict these developments to the south for environmental reasons. Consequently, virtually all of the 13,500 ha. of additional land needed in the future for industry should be located along the Bekasi-Tangerang axis.

RESIDENTIAL DEVELOPMENT

Strong population growth and a decline in household size means there is a large demand for new housing construction in JABOTABEK. There is a projected need for 2.4 million new

dwellings during the period 1990-2000 and another 3.4 million during the period 2000-2010.

■ New Towns and Satellite Cities

Many residential housing developments are around 50 ha. in area, although there is a trend for giant 'new town' projects covering hundreds of ha. These developments are built piece by piece in time frames covering many years. These huge developments are opening up in fringe Jakarta locations, and rural parts of Bogor, Tangerang, and Bekasi.

There are several satellite towns being developed, or planned. These giant new developments attempt to bring all the requirements for living in one area. They are targeted at upper middle and high income households. The low income housing requirements of the government for large developments are traded off or housing is targeted for the extreme upper level of the low income range, so in effect, true low income housing does not appear in significant numbers in these areas.

The Ministry of Public Housing has stated his desire that all developers of housing projects occupying more than 10 ha. must incorporate low cost housing. Also, a formula of 1:3:6 for high, mid, and low income housing at these developments will be required. Many new developments are not responsibly planning to have a balanced, harmonious social mix in their developments.

It remains to be seen whether these huge developments are benefit or detriment to the urban environment. These developments force worker's housing to far-away locations and force long-distance commuting on low-income workers.

These new towns often point out that they generate employment for residents. However, most New Town residents work outside their new town areas, mainly in Jakarta. Jakarta is the center of the high income employment required to support the upper

middle to high income housing which New Towns consist of.

It is doubtful that these new towns will achieve a balance between local jobs and residents. While there are many manufacturing jobs located around the east and west approaches to Jakarta, much of the new modern sector housing in these fringe localities is targeted toward upper-middle and high income households, for people whose employment is likely to remain in central Jakarta. As for the largely less well paid labor force which manufacturing industry demands, the question of housing is seldom addressed.

However, as these settlements develop, they eventually create a core of population-derived, service-based employment, irrespective of special planning. However, care should be made not to 'lock out' the informal sector from these huge areas.

■ Low Income Housing

Forecast Land Area Requirements for Shopping Centres or Local Retail Centers, DKI Jakarta and BOTABEK, 1990-2010.

	Sector		
	Formal	Informal	Total
DKI JAKARTA			
Number of New Jobs ('000)	470	202	672
Avg. Floorspace per job	7.5	2	-
Floorspace required ('000 M ²)	3,525	404	3,929
Land area required (hectares)	235	40	278
BOTABEK			
Number of New Jobs ('000)	702	478	1,189
Avg. Floorspace per job	7.5	2	-
Floorspace required ('000 M ²)	5,265	956	6,221
Land area required (hectares)	351	96	447

Source : JMDPR estimates

The market for upper middle and upper range housing is being met by formal sector housing developments. The same cannot be said for lower middle to low income housing, where the great demand is.

Much of this housing is informal and self built. With rising land prices

and large formal development projects, relocating and restrictions on the informal sector will increase. To avoid unrest and promote harmony, institutional change to bring squatters and landless residents into the formal system is recommended.

It is essential to tie low-cost housing to existing development initiatives, including New Towns. Other logical sites would include the Super-block developments within Jakarta.

Low income housing is unprofitable for the private sector and the to buy even the smallest conventional 10 sqm. core unit is beyond the means of most workers without a substantial element of interest subsidy and /or cross-subsidization. Construction costs increase more rapidly than incomes (for example, cement prices). It has been estimated that 70% of Jakarta's residents could not afford to purchase the house and land they now occupy.

The 1:3:6 housing formula, requiring large developers to build 6 low income homes for every three middle income and single high income home, forms a basis for socially responsible development. Industrial developers should build workers housing and could be allowed to offset the cost, perhaps by building some upper range units.

There is a surplus of land supply for the next 5 to 7 years in more or less all sectors except for low cost housing and low end informal housing, both of which tend to be mixed at this level. This means that the re-planning of land use could be carried out without affecting the land supply or seriously affecting the profitability of developers' future programs. This is already an emerging trend in some of the more responsible developments currently in process.

The study advocates mixed use developments; incorporating low cost

housing to reduce unnecessary trip generation, reduce poverty and promote economic growth.

URBAN DEVELOPMENT PARADIGM

The Government's strategic land use plan included the construction of three models of the future form of Jakarta and region, two of which will be discussed here.

■ New Towns Paradigm

The New Town paradigm was the most favorable in allowing open space and opportunities to allow an interweaving of urban area and green belts to create attractive urban environments. However, the traffic implications on Jakarta would effectively cancel out any other advantage. Spatial management would be very difficult, and would require considerable resources, especially for managing any open areas between the New Towns and the central urban core.

The new infrastructure at New Towns would create pressure for sprawl in the space between the development and the central city. As there would be extensive open areas between the New Towns and the urban core, the number of users concentrated along each major infrastructure line would be low, resulting in inefficient infrastructure investment and operation. Open areas are not extensive enough to have much agricultural potential.

■ Linear City

This was the preferred model after all factors were weighed. There would be less negative pressure on major agricultural areas. There is less need for additional major infrastructure. There would be less traffic pressure on

the urban core area, as a ladder-type road structure (based on east-west parallel arterial routes interspersed with north-south cross-links) could be developed, dispersing congestion.

The risk of urban sprawl would be contained for the reason that the current area with the highest potential for urbanization, according to market forces, coincides with the linear East-West structure of the paradigm. This would continue to be the case in the future.

The negative of this paradigm is the lack of green areas. Therefore a green wedges inside the linear city structure, a condition which would be difficult and costly to maintain, would have to be built and maintained as part of the 'grid'.

A great variety of urban and suburban components will co-exist within the urban development zone. These will include new towns; a transportation system grid (including toll roads and rail) and green, low density spaces.

The outer rim of Jakarta functions in this model as dormitory suburbs. The outer fringe would be the place to promote new urban development. The outer fringe belt beyond and to the south of Tangerang and Bekasi contains a number of potential urban centers. A semi-circular belt of growth centers can work with the modified East-West strategy.

A substantial shift from road to rail is an essential prerequisite to developing a sustainable urban structure. Heavy rail along the East-West axis is now recommended.

The study recommends:

1. A poly-centric urban structure
2. Mass rapid transit development
3. Green wedges

TRANSPORT

A component of infrastructure which has strong influence on the recommended strategy is transport.

The current system of roads has a lack of coherent hierarchy. This system evolved from dirt tracks and paths of former agricultural areas. The few major routes have been swamped by ribbon development. Main lines of demand are served by road where poor alignments, variable width, indifferent construction and frontage access all conspire to reduce efficiency. Efforts to institute road hierarchy have been weak.

A heavy and light rail integrated network has been proposed. The President of Indonesia has authorized the creation of a Mass Transit Authority to oversee construction of new infrastructure (mostly light rail). This is an important development for the building of a public transport system.

A mix of light and heavy rail is the most realistic prospect.

The first phase (by 2000) includes light rail extending from Tangerang to Bekasi. Recently a north-south subway from Kota in north Jakarta to Blok M in south Jakarta, and a east-west rail plan was announced by the Government.

Toll roads are an essential part of Jakarta's urban grid in the future. However, toll roads are not a substitute for a functional hierarchy of urban roads. The east-west traffic capacity will have to be supplemented within a short time. Rather than additional lanes, this report promotes

additional parallel routes.

Present plans are to achieve a total of approximately 1000 km of toll roads in Java by the end of the century, including a major trans-Java corridor along the northern Java coast, linking Merak in the west to Surabaya in the east. The total length of existing toll roads in Java is now about 500 km.

By the year 2000 a full inner ring with the North Jakarta and ring road-airport links should be completed. The outer ring should also be fully functional at that time. The Merak toll road extends to Serang while an extension of the airport spur into the development zone beyond could prove logical. A toll link to Serpong is also

Industrial Land Requirements In Jakarta and BOTABEK, 1990-2010

	Formal Sector	Informal Sector	Total
DKI Jakarta			
No. of additional jobs ('000)	469	201	670
Employment density (jobs/ha.)	120	300	146
Land area required (ha.)	3910	670	4480
BOTABEK			
No. of additional jobs ('000)	1150	780	1930
Employment density (jobs/ha.)	120	300	158
Land area required (ha.)	9580	2600	12180
TOTAL LAND REQUIRED (ha.)	13490	3270	16670

Source : JMDPR

indicated at this stage.

By the year 2010, a much extended network of trunk routes will be required. A third ring toll road will become viable, which combined with additional east-west toll roads, will help form the city grid. This third ring could run through both Bekasi and Tangerang.

There is no alternative to increasing traffic management controls on private cars into central Jakarta in the future. Later, controls will also be necessary in secondary centers.

The study recommends that developers bear the costs of off-site road impacts resulting from their developments. This includes upgrading or widening major roads and arterials which experience increased traffic.

JAKARTA RETAIL MARKET SUPPLY PROJECTION (30,000 sqm and up) - 1995 & 1996		
Shopping Mall/Centre	Year of Completion	Net Lettable Area (sqm)
Super Mall	1995	100,000
Pluit Mega mall	1995	80,000
Serayan Square Phase 1	1995	50,000
Tanwar Anggrek S.C.	1996	92,000
Pasarbaru Garden	1996	30,000
Pusat Pasar Mall	1996	60,000
Chandra Golden Triangle	1996	100,000
Compass Mas Mall	1996	35,300

The Rebirth of JAYAKARTA

The focus of Jakarta's north coastal development project will restore the city's front yard and create new growth in a neglected area.

In the 17th century, during Prince Jayakarta's reign, Jakarta was beginning to develop into a major international business port. Jakarta's development started from Sunda Kelapa harbor, located at the estuary of Ciliwung river. Jakarta was originally planned as an harbor city, the remains of which can still be seen today in 'Kota' area.

After Indonesian independence, the accelerated growth of Jakarta in all directions, with the National Monument as the central point, caused the over utilization of her natural water supply, resulting in the permeation of sea water into the ground water beneath the central city recently.

Realizing the danger of losing a natural underground reservoir in South Jakarta, the government attempted to redirect the growth of Jakarta toward the East, West and North areas. The development of East and West areas created new primary centers, which were able to hold the growing population. However, this

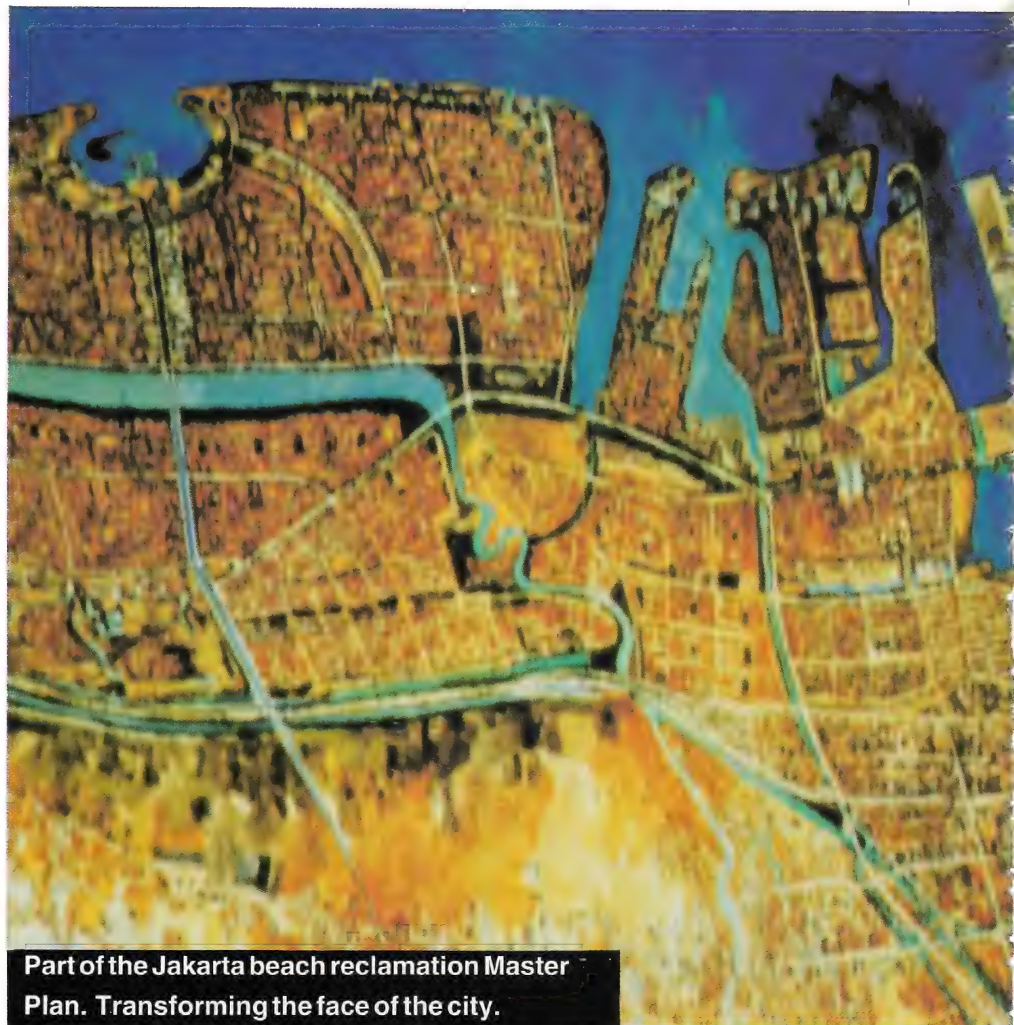
met with restrictions and zoning regulations.

The idea was discussed to develop the northern area for the growing population. This effort supports the master plan to optimize the use of the central city for office buildings and trading centers instead of residential areas.

The District of Jakarta's Board of

Planning and Development (Bappeda), guided by the Jakarta's master plan, considered the development of the Northern Coast including the reclamation of land covering 32 kilometers in length, 1.5 kilometers in width, and 5 meters in depth.

The physical condition of the North Jakarta coast is currently not suitable for development for residential use, as



Part of the Jakarta beach reclamation Master Plan. Transforming the face of the city.

most of the area is below sea level and is the estuary for 13 rivers. The area suffers from sea water floods and high levels of pollution. This area has become a residential slum, without proper infrastructure.

The development plan of the Northern Coast will also revitalize the old coast infrastructure with drainage, waste water treatment, and public utilities. One of the social benefits is resettlement and restoration of the slum to provide better living conditions for thousands of residents. In terms of tourism, the government will preserve old historical buildings turning them into tourist attractions. Furthermore, better road infrastructure will be built to provide greater accessibility to the reclaimed coast, and avoiding a heavier burden on the old coast



The plan to improve the transportation system in the reclaimed area uses Mass Rapid Transportation, an integral concept of Jakarta's mass public transportation system by the year 2015. The system will connect Soekarno-Hatta International Airport with the central city, passing through the Northern Coast of Jakarta. This will boost the economic and business activities of the old northern coast community. Moreover, it is hoped that this transportation system will become the bridge between the business center in the Northern Coast and the business center in central city.

Mass Rapid Transportation is vital, as the plan calls for the development of the Northern Coast as the second alternative for the Central Business District. It will also have recreation areas, high density residential areas, industrial estates and a commercial harbor. The alternative Central Business District can help control activities at the Central Business District in the central city and the Golden Triangle to the south.

A reclamation project is much cheaper than buying and preparing an equivalent amount of city land. Also,



The Jakarta beach reclamation. Just the beginning.

it requires the relocation of far fewer people.

According to Jakarta's Special District chief of Public Relations Bureau, Mr. Soesilo Darmoadji, the reclamation will not destroy mangrove plants around the Thousand Islands area and the North Coast beaches, as there has been prior consultation with the oceanography bureau. Instead, the reclaimed area will be 200 meters away from the mangrove forest, leaving it as it is. Thus, a canal will be formed between the reclaimed area and the old coast.

There are three alternative approaches to the development of the Northern Coast of Jakarta. First, to stop all existing development in this area; second, do nothing, leave the existing development as it is, without any coordination; and third, 'do something', the chosen alternative, which is to rearrange this area and coordinate all development activities on the Northern Coast of Jakarta.

Apart from considering the eco-

nomic, social and technical aspects, the development plan have also is carefully preparing an environmental impact study.

The primary plan will divide the area into three zones. The West Zone is intended to be used for the development of living settlements, with supporting recreational and commercial facilities. The Mid-East Zone is planned for the development of business centers, leisure and recreational centers, Heritage Park and living settlements. (the new Central Business District in this area is planned as a real business center, not as a services/commercial/trading center; like a super block). The East Zone, located around the Tanjung Priok Harbor, will be used to build an industrial estate, harbor facilities, warehouse complexes and low-income housing. The area of the reclaimed land is 600 hectares, while the existing area is 1,300 hectares.

This huge reclamation project needs about 200 million cubic meters



Mangga Dua Super Block. Revitalizing the old 'Kota' area of Jakarta

of fill, which is obtained by removing sand from the sea and soil from the 13 rivers of Jakarta. This is an ideal plan, because the soil removal will deepen the rivers and decrease the likelihood of flooding. Unfortunately, there is no guarantee that there will be adequate sand and soil for the whole reclamation project.

The 2700 hectares of reclaimed land will be used as follows: (1) 965 hectares for low-density housing; (2) 257 hectares for high-density housing; (3) 88 hectares for a commercial business center; (4) 426 hectares for mixed-use industry and commercial plus an industrial zone; (5) 37 hectares for public utilities; (6) 420 hectares for open space and mangrove forest; (7) 136 hectares for an extension of the harbor and warehouse; (8) 371 hectares for infrastructure.

The development plan for Jakarta's Northern Coast is not a single megaproject, but a combination of

many projects in 8 different regions. The 8 development regions are further divided into 20-30 sub-districts, which have 100 hectares in each area.

The implementation of the development plan will be carried out as a long-term project, estimated to be completed in the year 2020. This ambitious plan has a huge price tag attached to it, with the early reclamation stages costing about 20 trillion rupiah (US\$ 9.1 billion). The Governor of the Special District of Jakarta, Mr. Surjadi Sudirja, said that the reclamation project financing is not a part of the district's budget plan. Instead, the government will take steps to find independent financing; such as through 'Public Private Partnerships' between the government and private investors. These partnerships will consist of investors, developers, central government companies (BUMN), district government companies (BUMD), and include low interest loans. The cross-

subsidization between high cost and low cost zones will spread the distribution of development evenly.

The financing structure will allow the district government to draw revenue from the sale of Land Development Rights, Land Usage Rights and Land Management Rights of the reclaimed area (which belongs to the government) and the joint-operation or joint-management of the land utilization. Other revenue sources include infrastructure retribution, pollution tax, and social and public facilities contributions.

From the feasibility study, the government projects that it will obtain US \$2.2 billion from the contributions and rent of the land within 30 years. The contribution will be about 5 percent of the cost of reclamation and infrastructure, while the rent of the land will be about 15 percent of the profit from the sale of the land. The Internal Rate of Return (IRR) for this whole project shows the rate of return which the investors and developers will receive.

Recognizing the complexity of the development of Jakarta's Northern Coast, be it from the social, technical, or financing aspects, the government created several committees to coordinate all activities effectively and to accommodate all parties. The first to be formed was the Northern Coast Coordination and Control Board (BKPP), which is under the supervision of the Governor of the Special District of Jakarta. Also formed is the Northern Coast Development Board (BUPP) which is responsible for managing the revenues from the reclamation.

With careful planning of the technical, social and operational systems, it is hoped that the development of the Northern Coast of Jakarta, which covers thousands of hectares of new territory, will be done smoothly. The main purpose of the development project is ultimately for the people by the people, so let us participate to ensure the success of this program.



Billion Dollar Opportunity

Business prospects in the north Jakarta area are wide open now because of the planned beach reclamation project. Many Indonesian conglomerates are rushing to invest there.

Recently, Jakarta Bay has become a heated topic of discussion at large scale firms. Conglomerates are competing with each other to obtain the most strategic locations at this project, not only on the beach, but also on the Thousand Islands.

All this began with the land problem in Jakarta. Land is becoming more difficult to find - and more ex-

pensive - every day. Some claim that development to the East and West of Jakarta is getting limited because it is forbidden to develop in the vast fields of rice paddies there. In the South lies the region's water absorption area - which is very important for environmental conservation in Jakarta. Therefore, the local government of the Special Capital District of Jakarta is developing the beach and the Thousand Islands north of Jakarta.

In 1989, the government began re-

search of a Jakarta beach development, along with the Dutch. The research was not completed. The Pluit Environmental Organizing Committee (BPL Pluit), Planning Workshop International - an Australian consulting firm, and PT Puncak Wawasan Indah redid the research.

The result was a report called the Strategic Plan (SP), the foundation of the Jakarta beach developing plan. One of the report's recommendations was for sea reclamation to create a new residential, business, and recreational center - along with harbor facilities, in a area covering 2,700 hectares. The main reasons given for developing this reclamation project were; to solve the land shortage problem in Jakarta, to develop the rela-



Forecast Land Area Requirements for Office-Based Activities In Jakarta, 1990-2010

Office Sector	Floorspace Required ('000 M ²)	Floorspace Index	Total Land Area Required (hectares)
Primary	4035	3	134.5
Secondary	2630	3	88.0
Sub-total	6665	3	222.5
Informal	590	1	59.0
TOTAL	7255	-	281.5

Source : JMDPR estimates

tively disadvantaged north area of Jakarta, to plan the area for more order and better facilities, and to increase the economic value of the surrounding area.

The State Minister of Environmental Affairs, Mr. Sarwono Kusumaatmaja, in special interview with *Indonesia Property Report*, supports the beach reclamation effort, "as long as it does not change the beach function itself". Preserving, even regrowing the lost mangrove forest near the beach, and preserving those sea organisms which depend on the forest, could occur without hampering the development. Likewise, land and sand removal for the reclamation area should be implemented in an arid and unfertile area, from the sea, or from other development projects. This also would include a regrowth plan, including the reforestation at other locations. The President of the Republic of Indonesia, Soeharto, has already agreed to the first stage of the North Beach reclamation plan, i.e. for the reclamation of 1,500 hectares.

The government is planning to begin the massive reclamation plan in the beginning of 1996, said Mr. Ir. J.P. Hendropranoto Suselo, the Senior Advisor to the Minister of Public Works for the Area Integration System and City Planning Sector. This effort involves the Dutch Government, and also the funds from World Bank and Australia. However, the implementation of the beach area development plan will involve the private sector more than government.

According to Mr. M.S. Darundono,

the chief of BPL Pluit, reclamation is more economical than buying land. For example, land prices in central Jakarta reach Rp 6.5 million (US\$ 3,000) per sqm, while the cost of the reclamation at the Pantai Mutiara housing development was only Rp 700,000 (US\$ 320) per sqm. Assuming this price, the reclamation project needs funds of at least Rp 21 trillion (US\$ 9.5 billion). This gigantic price tag is still cheaper than buying the land, which would cost about Rp 45 trillion.

While still in the form of a Strategic Plan, there are many entrepreneurs who have expressed interest in joining this government/private enterprise project. Among them are names which are well known and have done business in the beach area of Jakarta before; such as Dharmala Group (Pantai Mutiara housing), and Jaya Group (Taman Impian Jaya Ancol -TIJA- project).

Coming to the project is a co-op between Sudwikatmono and the Ministry of Industry establishing Kawasan Berikat Nusantara Marunda (KBNM); and the Ciputra consortium with Pantai Indah Kapuk (PIK). New comers Hutomo Mandala Putra - through Humpuss Group, with its Green Coast concept, and Indra Rukmana, with its Gold Coast concept, have joined the project.

The land immediately around the beach will be utilized for housing and recreational facilities. According to housing experts, actually it is not clear that the beach settlement is a solution to the problem of obtaining land in Jabotabek (Jakarta, Bogor, Tangerang and Bekasi). This project may only be a case of entrepreneurs catering to the market taste; which is extremely dy-

namic. Generally the Jakartan is easily bored, so he always wants to try new ideas, including living and doing business in a unique, novel, and enchanting new development.

What are the plans and concepts for the development project at the Jakarta beach area?

It was Ciputra, chairman of Sang Pelopor, that was the first entrepreneur courageous enough to get his feet wet at Jakarta beach by developing the grandiose, and successful Ancol project. By working with the local government of Jakarta's Special Capital District, this north Celebes entrepreneur changed the unused swamps at Ancol into the biggest recreation facility in Indonesia. At first, this architect was laughed by everybody for his obsession, but Ciputra kept going on.

Forecast Land Area Requirements for Office-Based Activities In BOTABEK, 1990-2010

Office Sector	Floorspace Required ('000 M ²)	Floorspace Index	Total Land Area Required (hectares)
Formal	6970	2	348.5
Informal	642	1	59.0
TOTAL	7255	-	412.7

Source : JMDPR estimates

The result? There are now more than 2 (two) million visitors to TIJA every year.

Now, on the 550 hectares of land at Ancol, there are not only recreation facilities, but a four-star hotel, cottages, a marina and residential housing. Even though TIJA is already complete, it never stops developing; better recreation facilities are being added continuously.

This success became an inspiration for other entrepreneurs. For example, Mr. Suhargo Gondokusumo, the owner of Dharmala Group, had an idea to develop beach front housing through one of his subsidiary enterprises, i.e. PT. Taman Harapan Indah. At Muara Karang, in Pluit north Jakarta, Suhargo developed 600 units of beach front housing. "The community re-

**Summary of Land Area Requirements for
New and Expanded Activities Using
Industrial Land, Office Space and Shopping
Centres, DKI Jakarta and
BOTABEK, 1990-2000 and 2000-2010**

Location and Type of Land Use	Land Area Required ('000 hectares)		
	1990-2000	2000-2010	1990-2010
DKI JAKARTA			
Industrial			
Formal	1944	1916	3910
Informal	342	328	670
Total	2336	2244	4580
Office			
CBD-type	69	66	135
Other Formal	44	46	90
Informal	31	29	60
Total	144	141	285
Shopping			
Formal	120	115	235
Informal	21	19	40
Total	144	134	275
BOTABEK			
Industrial			
Formal	4310	5270	9580
Informal	1170	1430	2600
Total	5480	6700	12180
Office			
CBD-type	160	190	350
Other Formal	30	35	65
Informal	190	225	415
Total	380	450	830
Shopping			
Formal	160	190	350
Informal	40	55	95
Total	200	245	445

Source : JMDPR estimates

rinan, a recreation facility and a recreational area designed with the idea of nature preservation.

Ciputra and 15 other conglomerates, including Sudono Salim, Henry Priyadi, Mochtar Riyadi, Djuhar Sutanto, and Ibrahim Risjad, joined together and established PT. Mandara Permai, the organizer of PIK. The price of all of these projects is over Rp 6 trillion.

Not far east of the PIK location, there is the Penjaringan apartment complex; a fishing village that will not be disturbed at all. A little further to the East there is unused land framing the Muara Karang PLTGU (Pembangkit Listrik Tenaga Gas dan Uap) which supplies electricity (485 Megawatt capacity).

That empty land is planned to be used for housing. The West side of the land framing the PLTGU belongs to Humpuss Group, which will develop the Pantai Hijau housing project, while on the East

side, next to the Pantai Mutiara project, Indra Ruk-manai is preparing to build the Pantai Emas housing project.

Another huge project is Kawasan Berikat Nusantara Marunda, located on the cape east of Jakarta beach. This project is an Rp 600 billion investment on a 420 hectare area. It is planned that this area will have a variety of facilities in an integrated area, such as container quay, housing, and a district business center.

Beside the huge projects built or planned, there are a lot of niches which could be developed by investors. However, the local government of the Special Capital District of Jakarta, to prevent mismanagement, intends to establish a special institution with the authority to organize the Jakarta

beach area.

Besides looking at the potential of Jakarta beach, there are also lots of conglomerates starting to focus in on the Thousand Islands in Jakarta Bay. The potential of these islands abundant natural resources makes them attractive to investors. Mining, fishing, the cultivation of sea organisms, and tourism are potential areas of profit for investors..

As the result of acquisitive investors and unclear local regulations, there are many rich people owning individual islands of the group. Of a total of 119 islands, 19 are owned by individuals, while the local community occupies just 12 islands. The government possesses 14 islands and uses them for reforestation, resort areas, archaeological parks, and other purposes. The rest of the islands are owned by the private sector.

This condition is in contradiction with Local Regulation No. 11/1992, effective July 1992, the result of cooperation between the local government of the Special Capital District of Jakarta and the Legislative Assembly of Jakarta. They made a variety of rules; such as the prohibition of island ownership by an individual, the necessity of acquiring a SIPPT (the letter of land utilizing permit) from the Governor, performing a Amdal (the environmental impact analysis), regulating the height of constructions - which should be a maximum two-stories, or not taller than the height of the surrounding coconut trees, and the requirement that 40% of the total of island area be handed over to the local government of the Special Capital District of Jakarta.

Furthermore, those handed-over areas will be used for reforestation. This balance between areas used for development and forest areas will be maintained for environmental ecosystem purposes.

Every island, or each part of every island, which is a part of the RUTR (General Plan of City Planning) of Jakarta, is considered to be 40% the property of the local government. The exploitation and management of that

sponse appears to be good", said Gustamira Bahar, the manager of the housing project known as Pantai Mutiara region.

The Pantai Mutiara housing project has plans to develop 400 houses. In the second stage of the company's project, there will be sea reclamation of 61 hectares. There will be housing built on artificial islands. There have been 50 units of housing developed so far during the second stage.

There are huge projects appearing in the North beach area. One example is Pantai Indah Kapuk (PIK), covering 1,162 hectares. Plans include development of 5 housing areas, a 4-star hotel, two artificial lakes complete with ma-

area is to be determined by the Governor.

If that 40% is intended to be transferred to another island, the Governor has to give permission and the total compensation area has to be at least the same as the transferred area. Then the island management has to leave behind 1,000 sqm of land for the use of the local government.

In the regulation it also mentions that all rules, including island management, have to be adjusted to the new regulation without exception within two years of the date of the issuing of local regulation No. 11/1992.

"The local government will pursue the owner of individual islands. The local regulation has to be upheld without discrimination", said Idroes, the Deputy Governor of the Jakarta Special District for Government Administration sector.

In the Thousand Island development plan, the local government put into effect four zones for the islands, i.e. core zone, protected zone, supported zone and profitable zone.

The Core zone is an area which is absolutely protected for the purpose of conservation. This zone is closed except for scientific or research activity, with the permission of the directorate general of Forest Protection and Nature Conservation.

The protected zone is an area which is meant to protect the core zone and other ecosystems through limited utilization. This zone is the location conservation education and the development of 'nature friendly' activities with only limited facilities.

The supported zone is an area allocated for the development of natural resources, used in traditional ways by the local community. This zone is the location of community settlements.

The profitable zone is an area which is utilized intensively for the development of tourism. In this area there could be a variety of facilities, such as accommodation, and recreational and supported facilities.

The local government of the Jakarta Special Capital District plans to activate 45 islands of the total of

119 for the purpose of tourism. As of now, there are only 21 islands that have begun this activity. Some islands, which have been categorized as having sufficient facilities, are Ayer Island, Bidadari Island, Macan Island and Bira Besar Island; which has a golf course.

"The opportunity for investors who are interested in investing their capital in the Thousand Islands is still wide open", said the Chief of North Jakarta Tourism Sector, Wiyanto. With the willingness of the government and the support of the private sector, it is expected that the implementation of the Thousand Island plan could be done without any barriers.

The development of the Thousand Islands area has to be integrated with the management plan of Jakarta beach, so there is a synergy between them. The Jakarta Waterfront City plan could be brought into reality as part of a glorious master plan for the archipelago.

Price Comparison between reclaimed cost and Land Price of Jakarta

